



BEEF PRODUCTS INC.

December 21, 2002

Mr. Barry Carpenter
Deputy Administrator
Livestock and Seed Programs
Agricultural Marketing Service
U.S. Department of Agriculture
14th Street and Independence Avenue, S.W.
Washington, DC 20250

Also delivered via fax to
(202) 720-3499

Re: Expanded Use of Lean Finely Textured Beef (LFTB) Derived From Boneless Raw Material

Dear Mr. Carpenter:

Beef Products, Inc. (BPI) respectfully submits the following recommendations to amend the Agricultural Marketing Service (AMS or the Agency) ground beef purchase specifications. BPI request that the Agency amend the Technical Data Supplement for the Procurement of Frozen Ground Beef Items (TDS-136) to expand the ability of vendors to use lean finely textured beef (LFTB) derived from boneless raw material. Specifically, we recommend that TDS-136 be amended to: (1) remove the 10% limitation on the use of LFTB; and (2) allow LFTB in Coarse Ground Beef.

If implemented by AMS, these changes would result in cost savings and improved product quality, which would benefit all stakeholders in the USDA commodity distribution program -- producers, recipient agencies, the federal government, and ultimate consumers. Additionally, this action would further the Department's goal of bringing its purchase specifications more in line with commercial practices. It would also provide an added level of food safety for USDA-procured product.

Recommended Changes

Currently, the primary limitations on the use of LFTB appear on pages 2 and 3 of the AMS purchase specification. In addition to imposing certain requirements on processors utilizing LFTB, the specification strictly prohibits its use in Coarse Ground Beef, and limits its use in all other products to no more than "10 percent by weight of the combined finished product." TDS-136 at p. 3. BPI requests that the prohibition and the use restriction be eliminated from TDS-136. In its place, we recommend that AMS include a clear statement that any amount of LFTB may be used in all ground beef products, including Coarse Ground Beef, purchased by the Agency.

Letter to Mr. Barry Carpenter
December 21, 2002
Page 2 of 5

Benefits To Stakeholders

The purpose of USDA's commodity distribution program is twofold -- to provide nutritional assistance to needy Americans while at the same time providing much needed assistance to agricultural producers by supporting farm prices. Expanding the use of LFTB would further both of these goals.

Benefit To Recipient Agencies

School administrators are under increasing pressure to improve the nutritional profile of school meals, both breakfasts and lunches. Federal law requires that school meals conform to the *Dietary Guidelines for Americans*. Further, there is a growing public debate over whether and how the school meal programs should be used to combat the epidemic of childhood obesity. Some people have gone as far as to blame school meals, at least partially, for increased childhood obesity rates. The Agency has implemented a number of changes over the past several years to improve the nutritional profile for all of the products it purchases, from reducing the fat content in meat products to reducing the amount of sugar used in the packaging medium for canned fruit.

At the same time, schools are under increasing budget pressures. Federal cash reimbursement rates have not kept pace with the cost of producing a school meal, and foodservice operations are being forced to shoulder an increasing percentage of indirect expenses, such as heating, waste disposal, and electricity bills. As a result, program administrators are looking for ways to better utilize their commodity entitlement reimbursement. When a fraction of a penny per meal can make a difference between breaking even or running a deficit, any cost savings can have a significant impact on a school foodservice department's bottom line.

Expanding the ability of processors to utilize LFTB would help schools on both of these fronts. First, it would greatly expand the amount of lean beef available to schools, and increase the quality of the product as well. School children are not an easy market segment to satisfy, and as the fat content of a product decreases so does its palatability. Fat reductions have also made it more difficult for schools to reprocess commodity ground beef. LFTB results in a product that is far superior to low-fat ground meat produced through other methods. Simply put, the LFTB process results in better tasting low-fat product. Expanding the use of LFTB would help reduce the fat levels while maintaining the organoleptic qualities that make ground beef products popular.

Second, expanded use of LFTB would help schools stretch their entitlement funds. Historically, the price per pound for lean carcass parts is significantly higher on average. As a result, product costs have gone up as AMS increased its purchases of lean product for schools. LFTB use has helped moderate these price increases. Over the past 10 years, we estimate that AMS has saved nearly 2 cents (\$0.02) per pound on each pound of product incorporating LFTB as a result of allowing its use. The Agency can expect the savings to increase concomitantly with any increase in the utilization of LFTB.

Letter to Mr. Barry Carpenter
December 21, 2002
Page 3 of 5

Benefit To Agricultural Producers

Expanding the option of utilizing LFTB would unquestionably benefit agricultural producers. The process of producing LFTB allows the recovery of lean product from raw materials that would otherwise be impossible. As a result, raw materials that previously had little value can be utilized in a product that generates a higher return. This increases the utilization of a beef carcass, thus increasing its overall value, resulting in greater return to producers. Encouraging greater use of LFTB would be an action the Agency can take to help bolster producer prices.

Benefit To AMS

Of course, a goal in the administration of any government program is to ensure that federal funds are appropriately and fully utilized. BPI respectfully submits that expanding the ability to use LFTB as suggested would further demonstrate AMS' commitment to the proper stewardship of federal funds. All interested parties would benefit -- schools and agricultural producers -- and the Agency would be able increase the amount of product it procures without a corresponding increase in federal expenditures.

Brings Specification Further In Line With Commercial Practices

Over the past three years, the Agency, in collaboration with the Food and Nutrition Service (FNS), has been investigating methods to reengineer the commodity distribution program. This process has looked at a number of methods to streamline the purchase, distribution, and reprocessing of USDA-donated commodities. One of the main thrusts of the reengineering process has been to bring USDA purchase specifications in better alignment with commercial specifications. Of course, there are areas where the Agency will not be able to change its specifications, such as the domestic origin requirements. Expanding the ability to use LFTB, however, is one area where AMS can adjust its specifications to reflect commercial standards.

LFTB enjoys widespread acceptance in the commercial market. BPI's product has been accepted or is being evaluated by most major quick service restaurant chains as a raw ingredient in their ground beef patties or beef based products (eg taco meat), with use ranging from 15 to 25% of the finished product. In addition, BPI's product is purchased by many other meat processing companies, including several major packing companies, for inclusion in ground beef and other products for retail distribution. Again, use of BPI's product ranges from 15% to 25% of the finished product.

Likewise, the Agency's own Institutional Meat Purchase Specifications (IMPS) allows for a greater utilization of LFTB than does TDS-136. Only a fraction of the ground beef products used in the school meal programs are purchased by AMS. The vast majority of these products are purchased by state agencies and school districts, many of which utilize the IMPS in their procurement contracts. Amending TDS-136 to allow for increased LFTB utilization would

Letter to Mr. Barry Carpenter
December 21, 2002
Page 4 of 5

bring AMS purchases more in line with product purchased on the state and local level for the same program.

Food Safety Benefits

Finally, expanded use of LFTB would have ancillary food safety benefits. Ground beef produced with LFTB generally has a superior microbial profile compared to non-LFTB product. Over the last year, Congress and the media closely scrutinized the safety of food served in the school meal programs. A joint House-Senate hearing focused on the safety of school meals, and several newspapers and television news programs have covered this issue extensively. The safety of school meals is widely expected to be a topic of debate during next year's child nutrition reauthorization process. The Department has made great strides in improving the safety of the U.S. food supply. Authorizing expanded use of LFTB, however, would allow the Department to highlight where it has taken additional steps to improve the safety of the product it procures for schools.

BPI's pH enhancement process has been the subject of two independent validation studies conducted by Iowa State University and National Food Laboratory, Inc. The BPI process eliminated all *E.coli* O157:H7 in the inoculated product (6 Log₁₀ and 8.5 Log₁₀ respectively), as well as significantly reducing levels of *Salmonella* and *Listeria monocytogenes*. The Iowa State study has been accepted for publication in the *Journal of Food Protection*. As part of that study, Iowa State evaluated the impact of blending the pH enhanced product with inoculated ground beef at a 15% blend rate, resulting in *E.coli* O157:H7 reduction of 0.21 Log₁₀. As noted in that study:

The reported populations of E.coli O157:H7 in meat linked to foodborne disease outbreaks is generally low, with populations typically less than 50 cfu/g. The reduction in the populations of pathogenic bacteria reported in this study would provide a significant margin of safety with the [BPI] product, and may have applications with other fresh meat products.

BPI's pH enhanced product has been used over this past year by a number of suppliers to the school meal programs at the 10% level currently allowed under TDS-136. Before this year, those suppliers may have failed finished product testing criteria at a rate greater than 10%. However, this year we are aware of only 2 such failures out of the nearly 30 million pounds of product incorporating BPI's pH enhanced product. We believe that would equate to less than 1.5% - a significant improvement in food safety.

Conclusion

Thank you again for the opportunity to provided these suggestions for refining the AMS purchase specification for ground beef products. BPI greatly appreciates and values the collaborative process the Agency utilizes to update its specifications. This process has resulted

Letter to Mr. Barry Carpenter
December 21, 2002
Page 5 of 5

in significant improvements over the years, and demonstrates the Agency's commitment to the commodity distribution program.

While we are advocating increased use of LFTB through refinement of the AMS purchase specification, we understand that the Agency may deem it appropriate to condition any such increase on the LFTB supplier incorporating enhanced food safety technology and more rigorous sampling and testing procedures in order to qualify for access to increased such market. We believe such conditions are appropriate in this circumstance. Please let us know if you have any questions or would like to discuss these recommendations further.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Rucks", written in a cursive style.

Michael Rucks
Director, Technical Services